



## A BILL FOR AN ORDINANCE

RELATING TO REAL PROPERTY TAX EXEMPTIONS FOR HOMES.

BE IT ORDAINED by the People of the City and County of Honolulu:

SECTION 1. Purpose. The purpose of this ordinance is to amend the ordinances relating to the real property tax exemption for homes.

SECTION 2. Section 8-10.4, Revised Ordinances of Honolulu 1990, is amended to read as follows:

**"Sec. 8-10.4 Homes**

- (a) Real property owned and occupied as the owner's principal home as of the date of assessment by an individual or individuals, is exempt only to the following extent from property taxes:
- (1) Totally exempt where the value of a property is not in excess of \$80,000;
  - (2) Where the value of the property is in excess of \$80,000, but less than \$ \_\_\_\_\_, the exemption is the amount of \$80,000; ~~[provided that]:~~
  - (3) Where the value of the property is \$ \_\_\_\_\_ or more, the exemption is the amount of \$1.00; and
  - (4) The exemption in this subsection will be granted subject to the following:
    - (A) No such exemption will be allowed to any corporation, copartnership or company;
    - (B) The exemption will not be allowed on more than one home for any one taxpayer;
    - (C) Where the taxpayer has acquired the taxpayer's home by a deed made on or after July 1, 1951, the deed is recorded on or before September 30th immediately preceding the year for which the exemption is claimed;
    - (D) Spouses will not be permitted exemption of separate homes owned by each of them, unless they are living separate and apart, in which case each is entitled to one-half of one exemption;



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**A BILL FOR AN ORDINANCE**

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- (E) A person living on premises, a portion of which is used for commercial purposes, is not entitled to an exemption with respect to such portion, but is entitled to an exemption with respect to the portion thereof used exclusively as a home;
- (F) Notwithstanding any law to the contrary, real property will continue to be entitled to the exemption contained in this section in the event the owner of the real property moves from the home on which the exemption is granted to a long-term care facility or an adult residential care home licensed to operate in the State of Hawaii, provided that:
  - (i) The taxpayer designates the adult residential care home or long-term care facility on the form necessary to administer this subsection;
  - (ii) The home the taxpayer moves from is not rented, leased, or sold during the time the taxpayer is in the long-term care facility or the adult residential care home; and
  - (iii) Continuation of the home exemption entitles the taxpayer to the benefits of this section in effect during the applicable time period;
- (G) Notwithstanding any law to the contrary, in the event the owner of real property vacates the home for which an exemption is granted and moves to a temporary residence within the city during the renovation of the home, the real property will continue to be entitled to the exemption contained in this section provided that:
  - (i) The taxpayer submits to the director a change in status report regarding vacating the home during renovations which identifies:
    - (aa) The building permit number issued by the city department of planning and permitting;
    - (bb) The renovation start date as indicated on the building permit; and



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**A BILL FOR AN ORDINANCE**

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- (cc) A verifiable address within the city where the taxpayer will reside during the renovation period and where the assessment notices will be mailed;
- (ii) The renovation period will commence on the renovation start date and must not exceed two years. The taxpayer may reoccupy the home before the expiration of two years. Prior to the reoccupation of the home, the taxpayer must submit to the director a change in status report regarding reoccupation of the home along with a dated certificate of occupancy, notice of completion or close permit indicating the date the renovations have been completed;
- (iii) Upon receipt by the director of the change in status report regarding reoccupation of the home and a dated certificate of occupancy, notice of completion or close permit, assessment notices will be mailed to the reoccupied home and the owner may sell the home without penalty;
- (iv) The home must not be rented, leased, or sold during the renovation period; and
- (v) Continuation of the home exemption entitles the taxpayer to the benefits of this section in effect during the applicable time period;
- (H) Notwithstanding any law to the contrary, in the event the owner of the real property vacates the home for which the exemption is granted and moves to a temporary residence outside the city during a sabbatical or temporary work assignment, the real property will continue to be entitled to the exemption contained in this section provided that:
  - (i) The taxpayer submits to the director a change in status report that provides verification of the sabbatical or temporary work assignment and documentation from the taxpayer's employer which specifies the start and completion dates of the sabbatical or temporary work assignment;



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**A BILL FOR AN ORDINANCE**

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- (ii) Within the report, the taxpayer provides a verifiable address of temporary residence and certification of intent to re-occupy the home on which the exemption is granted after the sabbatical or temporary work assignment concludes;
  - (iii) The home the taxpayer moves from is not rented, leased, or sold during the time the taxpayer resides in the designated temporary residence;
  - (iv) The taxpayer re-occupies the home on which the exemption is granted within 24 months after the sabbatical or temporary work assignment begins, however prior to reoccupation of the home the taxpayer submits to the director a change in status report with the actual date the home will be re-occupied; and
  - (v) Continuation of the home exemption entitles the taxpayer to the benefits of this section in effect during the applicable time period; and
- (I) Notwithstanding any law to the contrary, in the event the owner of real property vacates the home for which an exemption is granted and moves to a temporary residence within the city as a result of the home being damaged or destroyed by fire, the real property will continue to be entitled to the exemption contained in this section provided that:
- (i) The damage or destruction of the home is not the result of the taxpayer or any person residing in the home intentionally, knowingly, or recklessly setting fire to the home;
  - (ii) The taxpayer submits to the director a change in status report that provides the date the fire occurred and evidence that the fire caused the home to be uninhabitable;
  - (iii) The taxpayer intends to remain in the city and within the report provides a verifiable address of temporary residence and certification of intent to re-occupy the home on which the exemption is granted after the home is repaired or replaced;



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**A BILL FOR AN ORDINANCE**

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- (iv) The home the taxpayer moves from is not rented, leased, or sold during the time the taxpayer resides in the designated temporary residence;
- (v) The taxpayer re-occupies the home on which the exemption is granted within 24 months after the date of the fire, however prior to reoccupation of the home the taxpayer submits to the director a change in status report with the actual date the home will be reoccupied; and
- (vi) Continuation of the home exemption entitles the taxpayer to the benefits of this section in effect during the applicable time period.

Failure to comply with any of the requirements stipulated within ~~paragraphs~~ subdivisions (4)(F), (4)(G), (4)(H), and (4)(I) will result in the disallowance of the home exemption and will subject the taxpayer to rollback taxes, interest and penalties as set forth in subsections 8-10.1(d) and (e) for the period of time the home exemption is continued.

For the purposes of this section, "real property owned and occupied as the owner's principal home" means occupancy of a home in the city and may be evidenced by, but not limited to, the following indicia: occupancy of a home in the city for more than 270 calendar days of a calendar year; registering to vote in the city; being stationed in the city under military orders of the United States; and filing of an income tax return as a resident of the State of Hawaii, with a reported address in the city. The director may demand documentation of the above or other indicia from a property owner applying for an exemption or from an owner as evidence of continued qualification for an exemption. Failure to respond to the director's request is grounds for denying a claim for an exemption or disallowing an existing exemption. The director may demand documentary evidence such as a tax clearance from the State of Hawaii indicating that the taxpayer filed an income tax return as a full-time resident for the year prior to the effective date of the exemption. Failure to respond to the director's demand in 30 days is grounds for disallowance or denial of a claim for an exemption.

In the event the director receives satisfactory evidence that an individual occupies a home outside the city or there is documented evidence of the individual's intent to reside outside the city, that individual will not be qualified for an exemption or continued exemption under this section, as the case may be.



## A BILL FOR AN ORDINANCE

Notwithstanding any provision to the contrary, for real property held by a trustee or other fiduciary, the trustee or other fiduciary is entitled to the exemption where: (i) the settlor of the trust occupies the property as the settlor's principal home; or (ii) the settlor of the trust dies and a beneficiary entitled to live in the home under the terms of the trust document occupies the property as the beneficiary's principal home.

For purposes of this subsection, real property is "sold" when title to the real property is transferred to a new owner; and property is deemed "uninhabitable" if the property owner is unable to live in or on the property for health or safety reasons.

The director of budget and fiscal services may adopt rules and shall provide forms as may be necessary to administer this subsection.

- (b) The use of a portion of any building or structure for the purpose of drying coffee and the use of a portion of real property, including structures, in connection with the planting and growing for commercial purposes, or the packing and processing for such purposes, of flowers, plants, or foliage, shall not affect the exemptions provided for by this section.
- (c) Where two or more individuals jointly, by the entirety, or in common own or lease land on which their homes are located, each home, if otherwise qualified for the exemption granted by this section, shall receive the exemption. If a portion of land held jointly, by the entirety, or in common by two or more individuals is not qualified to receive an exemption, such disqualification shall not affect the eligibility for an exemption or exemptions of the remaining portion.
- (d) A taxpayer who is 65 years of age or over on or before June 30th preceding the tax year for which the exemption is claimed and who qualifies under ~~[subsection-(a)]~~ subsection (a)(1) or (a)(2) of this section shall be entitled to a home exemption of \$120,000.

For the purpose of this subsection, a husband and wife who own property jointly, by the entirety, or in common, on which a home exemption under the provisions of ~~[subsection-(a)]~~ subsection (a)(1) or (a)(2) of this section has been granted shall be entitled to the \$120,000 home exemption set forth above when at least one of the spouses qualifies for this home exemption.



**A BILL FOR AN ORDINANCE**

- (e) (1) In lieu of the \$120,000 home exemption provided in subsection (d), a low income taxpayer who:
- (A) Is 75 years of age or over on or before June 30th preceding the tax year for which the exemption is claimed;
  - (B) Qualifies under ~~[subsection (a)]~~ subsection (a)(1) or (a)(2) of this section;
  - (C) Applies for the exemption as required in subdivision (2) of this subsection; and
  - (D) Has household income that meets the definition of "low-income" in Section 8-10.20(a),

shall be entitled to one of the following home exemption amounts for that tax year:

<b>Age of Taxpayer</b>	<b>Home Exemption Amount</b>
75 years of age or over but not 80 years of age or over	\$140,000
80 years of age or over but not 85 years of age or over	\$160,000
85 years of age or over but not 90 years of age or over	\$180,000
90 years of age or over	\$200,000

- (2) The claim for exemption, allowed at the applicant's attainment of 75, 80 or 85 years, shall continue for a maximum period of five years, after which period of time the home exemption amount shall revert to \$120,000, except the claim for exemption at 90 years of age shall extend for the life of the applicant or until June 30, 2039. The director shall not accept claims for exemption under this subsection after September 30, 2013.
- (3) For the purpose of this subsection, a husband and wife who own property jointly, by the entirety, or in common, on which a home exemption under the provisions of subsection (a) of this section has been granted and qualify under this subsection shall be entitled to the applicable home exemption set forth above when at least one of the spouses qualifies each year for the minimum age of the applicable home exemption.



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**A BILL FOR AN ORDINANCE**

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- (f) To qualify for the exemptions under subsections (d) and (e), a taxpayer must provide, upon request, a photocopy of or submit for inspection, a current, valid government-issued identification containing a photo and the date of birth, such as a Hawaii State driver's license, a Hawaii State identification card, or a passport."

SECTION 3. Section 8-13.2, Revised Ordinances of Honolulu 1990, is amended to read as follows:

**"Sec. 8-13.2 Real property tax credit established.**

An owner is entitled to a real property tax credit equal to the amount by which the taxes owed for the same tax year in which the application is filed for the property exceed three percent of the titleholders' income, provided:

- (1) The owner has been granted the home exemption under Section 8-10.4 at the time the application is filed;
- (2) The taxes owed for the same tax year in which the application is filed for the tax credit exceed three percent of the titleholders' combined income for the calendar year immediately preceding the date of the application;
- (3) The combined income of all titleholders of the property for the calendar year immediately preceding the date of the application does not exceed ~~[\$60,000]~~ \$65,000;
- (4) No titleholder owns any other real property anywhere during the applicable tax year;
- (5) The titleholders have not violated Section 8-13.5;
- (6) The amount of the tax after applying the credit is not less than the minimum tax required in Section 8-11.1(g);
- (7) If the taxes owed less any other one-time tax credit are less than or equal to three percent of all titleholders' combined income for the calendar year immediately preceding the date of the application, no credit will be applied;
- (8) The titleholder(s) of the property filed income tax returns, if required under Hawaii income tax law and under Internal Revenue Service regulations, on or before filing an application for a tax credit; and





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**A BILL FOR AN ORDINANCE**

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- (9) The grant of the application for a tax credit entitles the owner to a credit only for the tax year succeeding the tax year in which the application was filed. There will be no carryover tax credit."

SECTION 4. Ordinance material to be repealed is bracketed and stricken. New material is underscored. When revising, compiling, or printing this ordinance for inclusion in the Revised Ordinances of Honolulu, the Revisor of Ordinances need not include the brackets, the material that has been bracketed and stricken, or the underscoring.



**CITY COUNCIL**  
CITY AND COUNTY OF HONOLULU  
HONOLULU, HAWAII

ORDINANCE \_\_\_\_\_  
BILL **33 (2019)**

**A BILL FOR AN ORDINANCE**

SECTION 5. This ordinance takes effect upon its approval and applies to tax years beginning July 1, 2020 and thereafter.

INTRODUCED BY:

*[Handwritten signatures]*

DATE OF INTRODUCTION:

**MAY 31 2019**

Honolulu, Hawaii

Councilmembers

APPROVED AS TO FORM AND LEGALITY:

Deputy Corporation Counsel

APPROVED this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

KIRK CALDWELL, Mayor  
City and County of Honolulu